

Special points of interest:

- Corporate Services to Small Credit Unions
- IRS Partnership Opportunities
- CDFI Awards

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Your Credit Union's Credit Union

By : *Gigi Hyland, Executive Director, Association of Corporate Credit Unions*

So, you work at a small, newly chartered or low-income credit union. Your days are pretty hectic meeting members' needs and delivering the products and services they want. Your staff is small and your resources are limited. Wouldn't it be great if you could turn to a financial partner that would help you with many of the back-office intricacies of running the credit union? Wouldn't it be great to get one-on-one training on the basics of automated clearinghouse (ACH) or other critical services? In other words, wouldn't it be great if your credit union had its own credit union?

By Jove, you do! It's called a corporate credit union (corporate). Corporates are not-for-profit financial cooperatives that serve natural-person credit unions within their field of membership. Most corporates have national fields of membership. Corporates emerged approximately 30 years ago for the express purpose of providing low-cost financial services and competitive investment and lending rates to their member/owners, and are guided by volunteer boards of directors. Profit is not the driving force; rather, corporates exist solely for the benefit of their member credit unions—a pivotal difference from other financial service providers.

Over the years, credit unions have demanded financial services from their cooperatively owned corporates that kept pace with emerging technology, flexible service capabilities and income opportunities available in the marketplace. Corporates have responded by developing services and financial products to help credit unions succeed in serving consumers. This has enabled credit unions to remain competitive and continue to flourish.

Knowing the history of corporates is all well and good. But how can corporates help you meet the investment, asset/liability management and liquidity challenges of today's "dot com" world? **Turn the page for just a few examples. For more information on these and other services, contact your corporate credit union directly.**

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Your Credit Union's Credit Union (Continued)

◆ **Settlement services:** One of the true strengths of corporates is their ability to provide well-priced settlement services to meet all credit union payments system needs. Many corporates provide item processing, ACH, cash/coin delivery, lines of credit and wire services to their members. These services allow credit unions to provide innovative payment solutions to consumers despite lack of staffing resources. Corporates can help with routing number applications, securing lines of credit and starting up necessary services such as a member share draft program and funds transfer and settlement. For example, corporates offer ACH origination to credit unions that want to provide this service to their members. Corporates also provide the settlement capabilities necessary to give small credit unions a way to offer Visa cards to their members. Many corporates offer price reductions or incentives to small credit unions on these services in addition to assistance with reconciliation services for your credit union's corporate accounts.

◆ **Liquidity needs:** Corporates serve as a stable, reliable source of liquidity for the credit union system. Managing funds on a daily basis can be challenging given limited staffing. Many corporates offer members sweep accounts. These accounts earn competitive market rates while freeing the credit union from managing their funds daily. These types of accounts automatically sweep a credit union's daily balances into a higher earning account. In addition, online cash management products offered by corporates allow smaller credit unions to safely and rapidly monitor their accounts and conduct transactions with minimal staff. Finally, many corporates have made deposits at newly formed and small credit unions in order to facilitate their growth and development. Other corporates waive a certain amount of service charges each month to community development credit unions (CDCU) in order to provide incentives to the CDCU to offer services like checking and ACH to their members sooner rather than later.

◆ **Training and education:** Corporates regularly provide training and educational sessions to credit unions on the basics of ACH, correspondent services, asset liability management and other products and services. Many corporates offer scholarships to small credit unions to attend these sessions. Moreover, corporates regularly offer one-on-one training to credit unions for all of the corporate's products and services. At least one corporate holds an annual conference that helps officials of smaller credit unions develop new products and improve the performance of existing ones. All of these sessions serve as great resources to small credit unions. Since many corporate products are "turn-key," corporates often assist small credit unions with the marketing materials necessary to promote products like checking accounts and debit cards.

◆ **Asset/liability management:** By virtue of the regulations imposed on them, corporates are well versed in asset/liability management. Many corporates can provide the asset/liability management expertise to assist their members in meeting the regulatory requirements of prompt corrective action.

◆ **Reinvesting in our movement:** Corporates, through their trade association, ACCU, are partners with the state leagues and the National Credit Union Foundation, Inc. (Foundation) in the Community Investment Fund (CIF). The CIF provides funds for national and state level development initiatives and a stable source of funding for Foundation grantmaking and endowment growth. Working through state leagues and foundations, distributions from the CIF are used for credit union development such as: projects and programs that support new, small or community development credit unions; education of credit union employees and volunteers; public education initiatives related to credit unions; and programs that extend credit union services to the unserved or underserved. Corporates are bringing their expertise to bear on this initiative that benefits credit union development.

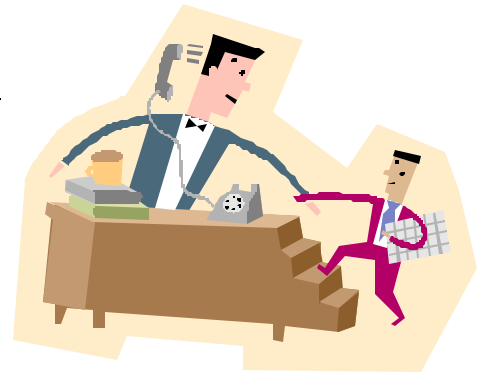
Your credit union is your corporate. Consider this. Last year, U.S. corporates processed over one billion items on behalf of their member credit unions. They transferred over \$600 billion in funds through electronic payments services such as wires and automated clearinghouse transactions. They facilitated over \$17.1 billion in cash for their members and they offered over \$13.7 billion in approved credit lines to members. Corporates' strength is their ability to leverage economies of scale in the areas of item processing, payments settlement and investments for credit unions' benefit. So, the next time you need some help, turn to your credit union – your corporate – and let the corporate help your credit union succeed.

Corporate Credit Union Services

The corporate credit unions have submitted information regarding their services that are offered to small credit unions. The following sections (arranged based on space) reflect their response to our inquiry. Due to the limited space in this newsletter, the services of corporate credit unions not listed in this newsletter will be highlighted in the December 2001 newsletter. Some of these credit unions have a national membership; therefore please call them to determine membership requirements.

EasCorp (www.eascorp.org— P.O. Box 2366, Woburn, MA 01888 — Phone: 800-428-1144)

During the last few years, EasCorp has organized and cosponsored an educational event known as the Product Development Fair. The fair is intended to help officials of smaller credit unions develop new products and improve the performance of existing ones. Volunteer panels of functional managers from high-performance, larger-sized credit unions throughout New England lead multiple workshops in business-critical product groups. Our cosponsors include the Assoc. of Credit Union Chief Financial Officers and the Assoc. of Credit Union Operations Officers. Select members of these associations are joined by experienced credit union marketing and lending officers for the purpose of presenting a holistic approach to product design and communications. Items discussed include such things as cost, risk management, competitive intelligence, vendor selection and promotion.



Corporates offer training, incentives, and enhanced services.

The Product Development Fair is free of charge and free of commercial interests, and every small credit union is invited to attend, irrespective of membership in EasCorp. This event was enormously popular this year and we expect it to be bigger and better next year. The Fair is not only rich with content, but it has enabled credit unions to reclaim that part of their movement's heritage of cooperation and information sharing as well. Please call the above phone number to reserve your space.

Empire Corporate (www.empirecorp.org—1021 Watervliet Shaker Road, Albany, NY 12205—Phone: 800-253-0053)

The corporate has an active Small Credit Union Program that includes the following programs:

- * Low Income Pricing Incentive Program: Empire Corporate extends to all capital shareholder low-income designated credit unions a \$1,200 (\$100 a month) credit toward their combined Empire service fees.
- * CMG Memorial Foundation Scholarship: Empire offers small credit unions (under \$10 million in assets) the opportunity to apply for its CMG Scholarship award. Award benefits can be applied to cover the total costs, including travel and hotel accommodations, to attend either Empire's Financial Strategies Conference or their Economic Forum/Annual Meeting.
- * Corporate Superhighway: As Empire's exclusive on-line cash management system, Corporate Superhighway, with its functional/transactional and inquiry capabilities, allows smaller credit unions to keep their staff levels at a minimum.



Corporate Credit Union Services

Mid-Atlantic Corporate (www.midatlanticcorp.org—1201 Fulling Mill Road, Middletown, PA 17057—Phone: 800-622-7494)

Mid-Atlantic Corporate has one account manager dedicated to serving our credit unions with assets less than \$5 million. This account manager holds periodic dinner meetings with small groups of these credit unions to review services, and share ideas, etc.. The credit unions like it because it allows them some time to network with their peers.

In addition, Mid-Atlantic participates in the following:

- * Partnering with leagues in five states to support league programs for small credit unions.
- * Sponsorship of League Small Credit Union Roundtables, often participating as speakers.
- * Attendance at League Small Credit Union Council Meetings.
- * Writing a quarterly article for Delaware Small Credit Union task force newsletter.
- * The CIF program in conjunction with the efforts of our leagues.



Mid-Atlantic Corporate holds a variety of educational sessions throughout the year. The corporate offers these at a low cost to enable access to everyone. However, the corporate also have instituted a new scholarship/grant program for these sessions to help offset registration and some travel expenses associated with them.

Finally, Mid-Atlantic has the honor of seeing one of our account managers move on to become Chief Operating Officer of a Community Development Credit Union in Harrisburg. Our previous account manager left several months ago to help Greater Harrisburg Community Credit Union get off the ground. She made that transition with our support and commitment to help her credit union as much as possible.

Southwest Corporate (www.swcorp.org—7920 Belt Line Road, Suite 1100, Dallas, TX 75254-8100—Phone: 800-442-5763)

Most of the products that Southwest Corporate offers are “turn-key services” meaning that the corporate handles most of the back-office functions associated with these services. This especially helps small credit unions with limited staff. The economies of scale are achieved when Southwest consolidates volume among many small credit unions, which also helps the small credit unions receive inexpensive pricing.

Southwest has also provided free (or in some cases very inexpensive) marketing materials that credit unions can use to promote their services (e.g., checking accounts and debit cards). This has been helpful to small credit unions that do not have a marketing department or a marketing budget to hire an outside firm to prepare a campaign for these products. Southwest has made these products easily available on their website.

Treasure State (1236 Helena Avenue, Helena, MT 59601—406-442-9081)

About one-third of this corporate’s membership is composed of credit unions with under \$5 million in assets and another one-third with assets under \$20 million (note, this last group is not considered ‘small’ in Montana) so Treasure State is very conscious of service to this segment. Treasure State recognizes that it may take more time to service small credit unions’ accounts, but they are committed to taking the time necessary to respond to their needs, questions, and concerns. Specifically, their ACH services provide smaller credit unions with a method of being an Originating Financial Institution with the corporate acting as their processor for recurring ACH files. Treasure State pays the same dividend rate on deposits without regard to the amount of the deposit, which provides support to small credit unions.



Increase Membership and Benefits to Members Through a Partnership with IRS

By: IRS Senior Program Analyst Beverly Thomas

Is your credit union interested in attracting new members? Do you want to offer current members new products and services? Would you like to increase goodwill and visibility in your community? If you answered yes to any of these questions, you may be able to achieve your goals by participating in an initiative with the Internal Revenue Service (IRS).

IRS is partnering with credit unions to promote the use of IRS volunteer tax preparation services in a strategy to benefit credit unions and their members. The IRS Volunteer Income Tax Assistance (VITA) Program offers free tax preparation services for individuals and families with low to middle income, senior citizens, individuals with disabilities, and those with limited English proficiency. The IRS initiative uses VITA, in conjunction with increased awareness of the Earned Income Tax Credit (refer to below), asset-building opportunities and financial education services, to provide numerous benefits to credit unions and their members such as the following:

- * Free tax preparation service for members and potential members.
- * Free electronic filing with direct deposit options leading to increased assets.
- * Community Reinvestment Act (CRA) accreditation for banks assisting credit unions.
- * Increase in credit union membership.
- * Goodwill through member benefits and outreach to potential members.
- * Continuing Professional Education credits for qualified volunteers who receive VITA training.

Here's how it works. Participating credit unions establish a VITA site located in their office space or an alternate location in the community. The IRS provides the software, training for VITA volunteers, and in some instances, the equipment to support the establishment of the VITA site. The participating credit union will work with federal and local agencies to recruit volunteers and advertise the services (e.g., free tax preparation, Earned Income Tax Credit (EITC), asset-building and financial education). The member visits the VITA site for free tax preparation services and may qualify for the EITC. Members are made aware of the benefits of using part or all of their refund to take advantage of credit union products and services.

The member benefits with free tax preparation, perhaps an increased refund due to EITC and an opportunity to participate in an asset-building program through their credit union. The credit union benefits in providing an additional service to members, attracting new members and getting increased participation in financial programs. The program benefits all involved.

Earned Income Tax Credit is a tax credit offered to low and moderate-income individuals and families that reduces the tax burden and supplements wages. For those that are eligible, the average EITC refund is approximately \$1,500. EITC eligibility depends on a family's size and income: families with one child who earn less than \$28,281 in 2001 are eligible for a credit of up to \$2,428; families with two or more children who earn less than \$32,121 in 2001 are eligible for a credit of up to \$4,008; and workers without a qualifying child who earn less than \$10,710 in 2001 are eligible for a credit of up to \$364.

For more information about participating in this initiative, please contact Beverly Thomas, Sr. Program Analyst, IRS, via e-mail at Beverly.Thomas@irs.gov. Written inquiries may be sent to: Internal Revenue Service, 401 W. Peachtree Street, Atlanta, Georgia 30308 Attn: Beverly Thomas (Stop 49-WI). Please include a primary and alternate contact's name and telephone number with all inquiries.

IRS can help you attract new members and provide volunteer tax preparation to your membership.

Awards from the Community Development Financial Institutions Programs

2001 CDFI Credit Union Awardees

Dakotaland FCU	\$632,000
Harney County FCU	\$420,000
New Hope Community Development FCU	\$95,000
O.U.R. FCU	\$270,000
South East Community SCU	\$275,000
Bethex FCU	\$53,000
Bushwick Cooperative FCU	\$140,000
Chatham-Lee SCU	\$20,250
Communities United SCU	\$200,000
Community Trust FCU	\$138,000
Consumer's FCU	\$200,000
Episcopal Community FCU	\$194,000
Genesee Co-op FCU	\$200,000
Homesteaders FCU	\$62,000
Ka'u FCU	\$41,000
Latino Community SCU	\$191,500
Metropolitan Community SCU	\$170,000
Neighborhood Trust FCU	\$30,000
North Side Community FCU	\$200,000
People's Community Partnership FCU	\$188,000
Prichard FCU	\$50,000
Shiloh of Alexandria FCU	\$85,000
Syracuse Cooperative FCU	\$55,000
Wolf Point FCU	\$145,300

The Community Development Financial Institutions (CDFI) Program represents a new type of community development initiative. The Fund invests in CDFIs (e.g., credit unions, banks, and other institutions) using flexible tools such as equity investments, loans, grants, and deposits, depending upon market and institutional needs. The applicant CDFI demonstrates these needs in its business plan and in its ability to raise comparable nonfederal matching funds, both requirements of the application process. The Fund evaluates each applicant CDFI in a manner similar to a private investor determining the investment-worthiness of an institution, including assessing financial performance, management capacity, and market analysis. Thus, the Fund is able to effectively assist these organizations to enhance their ability to meet community needs, develop, and grow. A credit union must have a primary mission of community development, serve an eligible target (e.g., investment area or underserved) market, and provide development (e.g., financial counseling) services to qualify as a CDFI.

The CDFI Program has four separate components: (1) the Core Component is the Fund's main program under which CDFIs, or entities proposing to become CDFIs, may apply for financial (e.g., primary capital, match of retained earnings, secondary capital, deposits, loans) and technical assistance; (2) the Intermediary Component is designed specifically for intermediaries (e.g., not credit unions) who focus primarily on the financing of other CDFIs; (3) the Small and Emerging CDFI Assistance (SECA) is designed to address the capacity needs of CDFIs, or entities proposing to become CDFIs, who have significant potential for increasing their community development impact; and (4) the Native American CDFI Technical Assistance (NACTA) is designed to enhance the capacity of CDFIs that primarily serve a Native American or Alaska Native community or to help Native American or Alaska Native communities to create new CDFIs that will primarily serve their communities.

SECA Component. Competitive funding for certified CDFIs and entities that become CDFIs within 2 years with total assets of less than \$5 million and have never received a Core Award could apply for this component. Grants up to \$150,000 in loan, grant, equity, deposit/shares, retained earnings grant (\$1 match of retained earnings with \$2 member deposits), and secondary capital are awarded. Technical assistance grants are awarded up to \$50,000 for consulting services, staff/board training, technology, and specific capital purchases. **The SECA application is due on January 24, 2002.**

Core Component. Competitive funding for certified CDFIs and entities that become CDFIs within 2 years to implement a comprehensive business plan. Capital awards are in the form of grants, loans, equity, deposits/shares and secondary capital. CDFI requires a \$1 to \$1 match, in the same form requested (loan for loan, grant for grant, \$1 retained earnings matched with \$4 member shares, etc.) from non-federal sources. **The Core Component application is due on December 11, 2001.**

NACTA Component. Competitive funding for certified CDFIs and entities that become CDFIs within 2 years could apply for funding to implement a business plan that will promote economic development activities in Native American and Alaska Native communities. Technical assistance grants up to \$100,000 will be awarded. Refer to page 8 for more information. **The NACTA application is due on January 24, 2002.**

Helpful Hints in Completing a CDFI Application

Do: Read the Notice of Funds Availability issued by CDFI that covers the elements of the programs. Allow yourself enough time to complete the application. Read all instructions carefully. Complete all your charts and explain the numbers, trends, and circumstances surrounding the numbers. Proofread the narrative and inspect the attached documents. Remember to sign the application and use the CDFI's application checklist.

Do Not: Assume that the reviewer is knowledgeable about the field of membership or the service area. Include documents without addressing in your narrative the information contained and the relevance.

The application process may take over 60 hours to complete; however, the awards can substantially improve the credit union's capacity to provide services to members.

More information regarding the above programs can be obtained from CDFI at www.treas.gov/cdfi; phone# 202-622-8662; and fax# 202-622-7754.

Community Development Financial Institutions (CDFI) Offers Training Programs

By: External Affairs Officer Karen A. Mocker, CDFI

The CDFI Fund's Training Program is part of its capacity building efforts. This program is designed to increase the supply of training services available to members of the CDFI industry as well as to community development lenders who are not certified CDFIs. The training program complements the Fund's demand-driven approach of providing technical assistance grant monies available through the SECA Component.



The training program focuses on the development and delivery of specific training to help CDFIs and other community development lenders strengthen their ability to analyze their markets, project future financial positions and develop the organizational infrastructure necessary for lending. The selection of initial courses offered through the training program was based on the Fund's observations from numerous funding rounds and a report prepared by consultants who surveyed community development lenders, including credit unions. Based on that information the Fund awarded contracts to four training providers in July 2000 for curriculum development and delivery of three training curricula. The training providers are offering the following training using a variety of delivery approaches as indicated below:

- * *Dickerson-Knight Group (DKG)*, classroom delivery of modules covering "Preparing Financial Projections (FP)" and "Lending Operations (LO)". DKG's phone number is (718) 624-4596.
- * *National Community Capital Association (NCCA)*, classroom and web-based delivery of modules covering "Market Analysis (MA)" and "FP". NCCA's phone number is (215) 923-4754
- * *National Federation of Community Development Credit Unions (NFCDCU)*, classroom combined with web-based delivery of "MA", and classroom delivery of "FP" and "LO". NFCDCU's phone number is (212) 809-1850
- * *New Hampshire College (NHC)*, web-based training on each of the three modules. NHC's phone number is (603) 668-2211.

The classroom trainings are offered at various sites around the country and the web-based modules will be offered periodically. All of these courses are being made available at no or little cost to CDFIs and other community development lenders. We encourage interested individuals to contact the training providers directly to inquire about these programs.

Native American CDFI Technical Assistance

By: Rodger Boyd, CDFI staff member

CDFI has set aside \$43.5 million for their technical assistance and training program designed to specifically benefit Native American communities and to promote economic development in those areas. This new component of the CDFI Program, called the Native American CDFI Technical Assistance (NACTA) Component, will be rolled out by the CDFI Fund in the very near future.

The intent is that technical assistance grants will be provided primarily to: qualified community development lenders; organizations with experience and expertise in banking and lending in Native American communities; Native American organizations; and other suitable providers.

The NACTA Component has the following goals for Native American Communities:

- * To increase access to capital in urban and rural areas.
- * To create more CDFIs.
- * To increase financial and technical capacity in Native communities.
- * To increase the capacity of 'lending and investing institutions' to better serve these special communities.
- * To build and strengthen the formal and informal networks that will facilitate investment and the creation of financial institutions.

For more information, contact the Community Development Financial Institutions at 202-622-8662 or visit their website at www.treas.gov/cdfi.